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Private Fundraising and Partnerships: 2019 workplan and proposed budget

Summary

The Private Fundraising and Partnerships workplan and proposed budget for 2019 is presented to the Executive Board for approval. In 2019, the total private sector revenue is projected to reach $1.8 billion, of which $853 million will constitute regular resources (RR) and $924 million other resources (OR). The 2019 planned expenses, funded from resources allocated to management, development effectiveness and special purpose activities, amount to $258 million, of which $194 million will be funded by RR and $64million by OR. The workplan describes financial and non-financial activities and results that represent the second year of the UNICEF Private Sector Plan 2018–2021: IMPACT for Every Child, including changes relating to the acceleration of the broader role of Private Fundraising and Partnerships as the organizational lead driving effective private sector partnerships as part of the UNICEF global repositioning initiative.

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I. Introduction

1. The Division of Private Fundraising and Partnerships (PFP) coordinates and provides global guidance and support to the National Committees for UNICEF and UNICEF country offices in all private sector [1] fundraising and private sector engagement and partnership activities, in cooperation with regional offices and other headquarters divisions.

2. The PFP workplan and proposed budget for 2019 is based on the UNICEF Strategic Plan, 2018–2021, the UNICEF integrated budget, 2018–2021 and the Private Sector Plan 2018–2021: IMPACT for Every Child (IMPACT Plan).

3. The ambitious fundraising goals for 2019 are defined in the IMPACT Plan. The Plan is aimed at achieving lasting results for every child by raising $7.5 billion in net revenue for UNICEF over four years, $3.6 billion of which will be regular resources (RR). Compared with the Private Fundraising and Partnerships Plan 2014–2017, this represents $2.1 billion in additional revenue, including $1.2 billion additional RR revenue, and double the number of individual donors to UNICEF. A summary of the IMPACT Plan is presented in annex II.

4. For 2019, the projected PFP revenue is $1.8 billion, an increase of $181 million, or 11 per cent, over the 2018 approved budget. The corresponding expenses of $258 million represent an increase of $22 million, or 9 per cent, over the 2018 approved figures. Of this $22 million increase, $10 million represents investment funds, $1.7 million represents PFP operating expenses funded by RR and $10.3 million represents country office fundraising expenditure funded by other resources (OR).

5. New timing of reporting under the UNICEF revenue recognition policy has been established since the development of the IMPACT Plan, which may necessitate adjustments in the reported annual revenue figures. While the new timing may alter when revenue is recognized annually, it is not expected to affect the overall financial results of the Plan.

6. The PFP budget comprises the institutional budget and the special purpose budget and covers the direct and indirect costs associated with the generation of private sector revenue and the achievement of results for children through partnerships.

7. Operating expenses for PFP (total costs minus investment funds and special purpose OR) as a percentage of total revenue are set to decrease from 4.9 per cent in 2018 to 4.5 per cent in 2019. By the end of the IMPACT Plan, in 2021, the ratio is projected to have decreased to 4.1 per cent.

8. The institutional budget for the period 2018–2021 was approved by the Executive Board in its decision 2017/14, as part of the UNICEF integrated budget, 2018–2021. The 2019 approved institutional budget for PFP amounts to $12.6 million, under the development effectiveness and management categories.

9. The special purpose budget covers the direct fundraising and private sector engagement activities linked to revenue and private sector engagement targets, and is approved by the Executive Board annually. The Division is seeking Board approval for the special purpose budget for 2019 of $181.5 million funded by RR and $63.9 million funded by OR, for a total of $245.4 million. Of the $63.9 million funded by OR, $2 million relates to a ceiling for engagement with the private sector, and the remainder is the indicative ceiling for fundraising direct expenses in country offices.

[1] UNICEF defines the private sector as the public, civil society, businesses, private foundations and other social groups that can individually or collectively contribute to positive change in the lives of children.

The requested ceiling is in line with that approved by the Board in its decision 2017/14.

10. Altogether, the institutional budget and requested special purpose budget for PFP and country offices for 2019 amount to $258 million, in line with the ceilings approved by the Executive Board in its decision 2017/14.

11. A total of 491 posts are funded from the PFP budget, of which 222 are considered funded by headquarters, but may be located outside the headquarters duty station, with 28 located in regional offices and 241 located in country offices. Seventeen country office posts are funded by RR while 224 are funded by OR generated from in-country fundraising. (The costs of the country office OR posts appear in the annual PFP financial report, but the posts appear in the structures of the respective country offices.)

12. As part of the global UNICEF realignment strategy, partnering with the private sector is a key priority in the organization's work, as is adopting an organizational mindset that recognizes the importance of engaging with the private sector at all levels, especially with a view to achieving the Sustainable Development Goals by 2030. As part of this global repositioning, PFP will champion the private sector as the core focus of its work and will promote such a mindset. To deliver on the acceleration of this vision, PFP has modified its structure to better serve its partnerships and produce results for children. Partnerships functions are being merged into one global team in PFP and more staff are being placed closer to the markets, including embedding business initiatives within country programmes, where there is the greatest unrealized potential.

13. To achieve and accelerate the goals of the IMPACT Plan, UNICEF is aligning efforts and strategies across the organization to partner more effectively with the private sector and achieve an exponential increase in the impact for children. As part of this global repositioning, PFP will:

(a) Continue to champion the centrality of the private sector within the core business of UNICEF, which is to deliver results for children;

(b) Promote a mindset across the organization ("whole-UNICEF approach") that recognizes the importance of collaborating and partnering with the private sector at all levels;

(c) Devote significant resources to and coordinate with other divisions to build capacity for such collaboration and partnering across all staff and teams in UNICEF;

(d) Expand considerably the number of "win-win" collaborations and partnerships with business, foundations, high-net-worth individuals and other actors in the private sector to bring transformational change to children;

(e) Actively promote shared-value partnerships with businesses that bring value equally to partners and to UNICEF;

(f) Address with partners the effect of their policies and practices on children.

14. PFP is adapting its structure in 2019 to accelerate the goals of the IMPACT Plan and enable a whole-organization approach to engaging with the private sector, focusing on moving posts to be closer to markets and on reorganizing the current fundraising and partnerships structure. However, no new RR-funded posts are being created in 2019, and PFP is working within the Executive Board-approved ceiling.

15. This restructure is risk-informed, having taken into account both opportunities and threats. With such a vast change, two important risks must be mitigated: first, the increased focus on partnerships and the structural change could dilute fundraising

priorities; and second, the transition may result in inadequately trained staff and a resultant loss of focus in the work to achieve the capacity-building goals and fundraising targets. Both of these risks are related to human resource management, and PFP remains mindful that partnerships must be stewarded over months or years. People will remain at the core of how results are achieved. The priority mitigation strategy is therefore to implement change management programmes focused heavily on support to staff in managing transition as well as on increased exposure to UNICEF and its programmatic results, and by proactive engaged management within teams. Furthermore, PFP will consult closely with regional offices and selected country offices to analyse and adapt current staffing structure and capacities for maximum impact. It will continue to be critical for PFP to remain agile and to maintain its capacity to adjust goals annually or as needed.

II. Results for 2018

16. Current estimates show that PFP will have met the goals set out in the IMPACT Plan for 2018, the first year of its implementation.

17. The 2018 total private sector revenue is expected to be $1.596 billion, which is on target to meet the goals detailed in the 2018 approved budget. Overall, $1.596 billion represents growth of $130 million over 2017, or an increase of 9 per cent over actual revenue in 2017.

18. Private sector revenue is projected to contribute $757 million to RR in 2018. This is on target to meet the 2018 goals, and is driven largely by monthly pledge donors. Exchange rate fluctuations continue to be a concern, with the currencies of some National Committees and country offices continuing to be volatile in 2018 compared with the United States dollar, particularly in Argentina, South Korea and the eurozone.

19. The private sector contribution to OR in 2018 is estimated at $838 million, which is on target to meet 2018 budgeted goals. Emergency revenue for 2018 is projected at $130 million, or a $30 million increase over the budgeted figure of $100 million. This continues to result from active fundraising efforts and an elevated level of public interest in Level 3 emergencies and natural disasters to which UNICEF is responding. The increase in other resources (emergency) (ORE) is counterbalanced by a projected decrease of $30 million in other resources (regular) (ORR) compared with the projected revised budget. Three markets (Mexico, Sweden and the United States of America) reported lower than expected earnings relating to revenue from foundations and membership-based organizations.

20. The estimated PFP expenses for 2018 were $214.2 million as at 31 October 2018, compared with a projected budget of $236 million. Of this projected underspend, $11.3 million represents the result of not using the full projected 2018 OR ceiling. The standard cost of salaries has also decreased by $3.5 million since the formulation of the 2018 budget accounting. Together with $7 million in savings from vacant posts and entitlements, this accounts for the further underspend. The non-post operational budget will be fully implemented in 2018.

21. Engagement with businesses, governments and multi-stakeholder platforms continued to be amplified at the National Committee and country-office levels. The direct and indirect impact of businesses on children was addressed through engagement with businesses, industry platforms and governments, and included such work with industry sectors as marketing and advertising, food and beverages, digital services, finance, extractives and global supply chains. Existing or prospective business partners that could have transformational value in achieving the goals of the

UNICEF Strategic Plan, 2018–2021 were identified to develop deeper and larger multifaceted relationships. Such shared-value partnerships, which will be prioritized, are collaborations that generate economic value for businesses in a way that also produces value for society and achievement of the mission of UNICEF. These can encompass a variety of forms of engagement and support including (a) mobilizing financial resources, low-cost solutions and products; (b) engaging businesses regarding their impact on children; and (c) leveraging business influence. Multi-stakeholder forums, including the World Economic Forum, were engaged as aggregators to create traction with businesses around the Sustainable Development Goals and child rights and helped to leverage partnerships for children. The number of National Committee advocacy initiatives with governments increased greatly, resulting in action, campaigns, laws and engagement on such key issues as the migrant crisis in Europe, the Goals, priority child rights issues, child-friendly cities and child safeguarding and education. Key influencers, including high-net-worth individuals, philanthropists and celebrities, engaged to amplify UNICEF advocacy messaging on priority child rights issues.

22. The management of the strategic relationship between UNICEF and the National Committees continued successfully in 2018, and included strengthening systems and protocols relating to financial and ethical governance. PFP has provided rigorous guidelines and procedures that have been supported and adopted by National Committee partners to reinforce financial oversight and mitigate ongoing risk.

23. The Division continues to maintain rigorous oversight of its activities through regular audits, strengthened forecasting and the monitoring and reporting of revenue and expenses, with regular review of risk registers and business continuity practices.

Table 1

Statement of revenue and expenditure

(Millions of United States dollars)

	2017 actual results			*2018 approved budget*			*2018 latest estimates*			*2019 proposed budget*			*2019 vs. 2018 approved budget*	
	Regular resources (RR)	*Other resources (OR)*	*Total*	*RR*	*OR*	*Total*	*RR*	*OR*	*Total*	*RR*	*OR*	*Total*	*Amount*	*Percentage*
Private sector revenue														
Revenue from greeting cards and products	7.7	—	7.7	7.0	—	7.0	7.0	—	7.0	7.0	—	7.0	—	0%
Private sector fundraising contributions	654.8	802.8	1 457.6	750.4	838.3	1 588.7	750.4	838.3	1 588.7	845.6	923.7	1 769.3	180.6	11%
National Committees	619.6	637.2	1 256.8	708.4	620.3	1 328.7	708.4	620.3	1 328.7	794.3	685.5	1 479.8	151.1	11%
Country offices	35.2	165.6	200.8	42.0	218.0	260.0	42.0	218.0	260.0	51.3	238.2	289.5	29.5	11%
Other revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	0%
Total private sector revenue	**662.5**	**802.8**	**1 465.3**	**757.4**	**838.3**	**1 595.7**	**757.4**	**838.3**	**1 595.7**	**852.6**	**923.7**	**1 776.3**	**180.6**	**11%**
Private Fundraising and Partnerships (PFP) expenses														
A. Development effectiveness costs:	**3.4**	—	**3.4**	**4.3**	—	**4.3**	**4.0**	—	**4.0**	**4.1**	—	**4.1**	**(0.2)**	**-4%**
National Committee relations	3.4	—	3.4	4.3	—	4.3	4.0	—	4.0	4.1	—	4.1	(0.2)	-4%
B. Management costs:	**14.8**	—	**14.8**	**8.7**	—	**8.7**	**8.5**	—	**8.5**	**8.5**	—	**8.5**	**(0.2)**	**-2%**
Director's Office and Strategic Planning	1.8	—	1.8	1.6	—	1.6	1.4	—	1.4	1.5	—	1.5	(0.1)	-4%
Operations and Finance	13.0	—	13.0	7.1	—	7.1	7.1	—	7.1	6.9	—	6.9	(0.2)	-2%
C. Special purpose costs:	**122.8**	**33.3**	**156.1**	**169.4**	**53.6**	**223.0**	**159.4**	**42.3**	**201.7**	**181.5**	**63.9**	**245.4**	**22.4**	**10%**
Private Sector Fundraising and Partnerships	20.1	—	20.1	33.8	—	33.8	29.5	—	29.5	36.3	—	36.3	2.4	7%
Country Office Support[a]	4.7	—	4.7	6.9	—	6.9	5.2	—	5.2	6.9	—	6.9	—	0%
Country office direct fundraising costs	1.4	33.1	34.5	3.7	51.6	55.3	1.7	42.1	43.8	3.3	61.9	65.2	10.0	18%
Communication and Marketing	7.1	—	7.1	11.3	—	11.3	10.2	—	10.2	11.3	—	11.3	—	0%
Procurement	1.2		1.2	1.4	—	1.4	1.3	—	1.3	1.4	—	1.4	—	0%

	2017 actual results			2018 approved budget			2018 latest estimates			2019 proposed budget			2019 vs. 2018 approved budget	
	Regular resources (RR)	Other resources (OR)	Total	RR	OR	Total	RR	OR	Total	RR	OR	Total	Amount	Percentage
Private Sector Engagement	5.3	0.2	5.5	7.4	2.0	9.4	6.5	0.2	6.7	7.4	2.0	9.4	—	0%
Investment funds	83.0	—	83.0	105.0	—	105.0	105.0	—	105.0	115.0	—	115.0	10.0	10%
Total PFP expenses	**141.0**	**33.3**	**174.3**	**182.4**	**53.6**	**236.0**	**171.9**	**42.3**	**214.2**	**194.1**	**63.9**	**258.0**	**22.0**	**9%**
Licensing/sales expenses of National Committees	0.3	—	0.3	0.4	—	0.4	0.4	—	0.4	0.7	—	0.7	0.3	75%
Impairment	3.1	2.3	5.4	—	—	—	—	—	—	—	—	—	—	—
PFP foreign exchange gains (losses)	(8.4)	0.1	(8.3)	—	—	—	—	—	—	—	—	—	—	0%
Net private sector surplus	**526.5**	**767.1**	**1 293.6**	**574.6**	**784.7**	**1 359.3**	**585.1**	**796.0**	**1 381.1**	**657.8**	**859.8**	**1 517.5**	**158.3**	**12%**

[a] Country Office Support costs include the Country Office Development and Support Unit and regional support centres.

III. Key expected results for 2019 and required resources for the 2019 Private Fundraising and Partnerships budget

24. On the basis of the UNICEF Strategic Plan, 2018–2021 and the goals detailed in the IMPACT Plan, PFP will aim in 2019 to meet a revenue goal of $1.776 billion, of which $853 million will be RR. This will require a total special purpose budget of $245.4 million ($181.5 million RR, $63.9 million OR) and an institutional budget of $12.6 million, for a total of $258 million (see table 2 for details).

25. Below are the updated planned outcomes and strategies for 2019 for the private sector audiences. With the implementation of a whole-UNICEF approach to embracing the power of the private sector, greater results for children are expected to accompany the financial targets. Accelerated metrics have been adopted to demonstrate the theory of change and to enable the evaluation of the impact of partnerships on results for children, particularly in view of the Executive Board request for a midterm review of non-financial engagement. Given the significant impact that business can have on the well-being of children everywhere, working with business needs to be both embedded as a consideration in the planning and delivery of all programmes and mainstreamed across all offices. In terms of bilateral relationships with corporations, the historical focus of UNICEF has been largely on procurement and fundraising. As noted above, the organization now intends to also prioritize shared-value partnerships.

Outcome 1[2]

By 2019, 67.2 million people are changing the world with UNICEF through their voices and donations

- By 2019, 11 million people are donating private sector revenue of $1.03 billion
- By 2021, 100 million people, including children, are mobilized for children's rights

26. For the first planned outcome, a total special purpose budget of $206.7 million ($144.8 million RR, $61.9 million OR) is proposed to meet the revenue goal of $1.03 billion. Some of the key private sector fundraising strategies planned for 2019 to achieve this revenue growth are:

(a) The Division will continue to focus resources on the markets with the highest growth potential for individual giving, including monthly pledge giving, one off giving and legacies. It will identify and test new channels and modalities for significantly increasing pledge donors with the aim of taking such approaches to scale;

(b) Investment funds will be increased by $10 million, or 10 per cent, from $105 million approved in 2018 to $115 million proposed for 2019 and approved in the UNICEF integrated budget, 2018–2021, to drive growth in priority markets and specifically in high-yield revenue streams that generate RR, such as pledge and legacy;

[2] In conjunction with the revised definitions of supporter engagement set out in the supporter engagement strategy, the methodology for defining donor levels changed in 2018. The ultimate outcome remains 100 million people changing the world with UNICEF through their voices and donations by 2021.

(c) PFP continues its commitment as the global lead on the supporter engagement strategy, which will continue to support private fundraising and partnerships in high-potential country offices;

(d) The Division will work with UNICEF headquarters divisions, National Committees and regional and country offices to deliver on the IMPACT Plan's results. The recruitment of supporters at the local level will be pursued through several means, including the continued reinforcement of digital channels and the implementation of the customer relationship management system.

Outcome 2

The impact and effectiveness of key influencers are maximized to advance children's rights and well-being

- Leading philanthropic partners commit to working with UNICEF and investing $563 million annually by 2019 to achieve transformational change for children
- Key influencers amplify UNICEF advocacy messaging on priority issues affecting children

27. For the second planned outcome, a total special purpose budget of $5 million RR is proposed, with a 2019 revenue goal of $563 million. To reach these goals, and to be in line with the global UNICEF realignment strategy, PFP will increase strategic donor outreach and cultivation by reinforcing its presence closer to markets through the out-posting of staff to key markets.

Outcome 3

The power, reach and influence of business are fully harnessed for children

- Partnerships with businesses maximize results for children, delivering revenue (projected to be $179 million in 2019), influence, reach, the protection of children's rights and/or core business and assets
- Businesses take sustainable action to respect children's rights in all business activities and relationships
- Businesses and business stakeholders advocate for children

28. For the third planned outcome, a total special purpose budget of $13.5 million ($12.7 million RR, $0.9 million OR) is proposed to raise $179 million in 2019. Under the global realignment strategy, PFP will continue to identify new ways of partnering with and engaging businesses and their stakeholders as well as drive revenue growth by optimizing current partnership approaches.

Outcome 4

Governments at all levels in countries with a National Committee presence deliver on UNICEF priorities for children, as defined in the UNICEF Strategic Plan, 2018–2021, both domestically and globally

- Governments maintain and increase budgeting for children domestically and globally
- Governments increase action to respect, protect and fulfil children's rights domestically and globally

29. For the fourth planned outcome, a total special purpose budget of $2.6 million ($1.5 million RR, $1.1 million OR) is proposed. The Division will continue to reinforce its strategic engagement with the private sector and undertake advocacy activities to advance children's rights. To fund activities to fulfil this agenda, up to $1.1 million in OR will be raised from governments, businesses and other donors, such as foundations.

Outcome 5

By 2021, UNICEF is the most trusted and engaging organization improving the lives of children around the globe

- The public has increased awareness of and familiarity with the work of UNICEF as the leading organization for children in private sector markets
- The work of UNICEF has increased recognition and the organization is viewed as one that "gets things done"
- UNICEF mobilizes audiences to take action for children in private sector markets
- UNICEF optimizes the use of compelling, engaging and emotive content to build its brand

30. For the fifth planned outcome, a total special purpose budget of $5.2 million RR is proposed. Priorities for 2019 include: the roll-out and strengthening of priority, integrated fundraising, communications and advocacy campaigns with National Committees; streamlined and audience-focused content plans; enhanced communication and marketing support for private sector partnerships; strengthened monitoring, target-setting and brand-building in private sector markets; and an enhanced brand barometer study, with deep analysis and insight.

Outcome 6

By 2018, UNICEF is well-positioned, with a common culture, to deliver on ambitious results with the private sector, and with the public sector in National Committee countries

- UNICEF is fit for business, with responsive, transparent and accountable governance
- UNICEF plans and delivers as one UNICEF, with the efficient and effective management of results
- Versatile, safe and secure information systems support the delivery of the Private Sector Plan 2018–2021: IMPACT for Every Child
- The versatile staff of UNICEF and the National Committees collaborate as agents of change with the private sector

31. For the sixth planned outcome, a total of $25.1 million RR is proposed, of which $12.5 million in RR is from the special purpose budget and $12.6 million from the institutional budget. This will help to assure financial and operational excellence within the Division and to support global fundraising operations. It will also be used to strengthen coordination, oversight and risk-management activities in the National Committees, including joint strategic planning and the monitoring of the implementation of the cooperation agreement. The Division will continue to guide the governing boards and executive management teams of the National Committees on implementing the principles of good governance relating to management and operations, board activities, disclosure and transparency, ethics, audit, risk management and compliance. Management and operations support will be focused on the overall guidance and strategic direction of all aspects of UNICEF private sector fundraising and partnerships; the continued strengthening of the management of PFP activities; the design and use of cutting-edge customer relationship management technology; the monitoring of financial reporting for private sector revenue generation and of the use of investment funds; and robust human resource management to ensure the timely recruitment and retention of high-calibre staff as well as a continued focus on staff performance assessment and development.

32. The Division is investing in the realignment strategy by ensuring that staff have the complete tools and training required to prepare for the successful implementation of the new partnership modalities and by providing logistical and operational support where necessary.

Table 2

Proposed budget, by expected results 1 January–31 December 2019

(Millions of United States dollars)

Expected results	*Resource requirements*		
	Regular resources	*Other resources*	*Total*
Special purpose	**181.5**	**63.9**	**245.4**
Outcome 1: By 2019, 67.2 million people are changing the world with UNICEF through their voices and donations	**144.8**	**61.9**	**206.7**
Output 1.1: By 2019, 11 million people are donating private sector revenue of $1.034 million	143.2	61.9	205.1
Output 1.2: By 2021, 100 million people, including children, are mobilized for children's rights, with 50 million people on the road to giving	1.5	—	1.5

Expected results	*Resource requirements*		
	Regular resources	*Other resources*	*Total*
Outcome 2: The impact and effectiveness of key influencers are maximized to advance children's rights and well-being	**5.0**	—	**5.0**
Output 2.1: Leading philanthropic partners commit to working with UNICEF and investing $563 million annually by 2019 to achieve transformational change for children	4.7	—	4.7
Output 2.2: Key influencers amplify UNICEF advocacy messaging on priority issues affecting children	0.3	—	0.3
Outcome 3: The power, reach and influence of business are fully harnessed for children	**12.7**	**0.9**	**13.5**
Output 3.1: Partnerships with businesses maximize results for children, delivering revenue (projected to be $179 million in 2019), influence, reach, the protection of children's rights and/or core business and assets	8.0	0.9	8.9
Output 3.2: Businesses take sustainable action to respect children's rights in all business activities and relationships	2.7	—	2.7
Output 3.3: Businesses and business stakeholders advocate for children	1.9	—	1.9
Outcome 4: Governments at all levels in countries with a National Committee presence deliver on UNICEF priorities for children, as defined in the UNICEF Strategic Plan, 2018–2021, both domestically and globally	**1.5**	**1.1**	**2.6**
Output 4.1: Governments maintain and increase budgeting for children domestically and globally	0.9		0.9
Output 4.2: Governments increase action to respect, protect and fulfil children's rights domestically and globally	0.6	1.1	1.8
Outcome 5: By 2021, UNICEF is the most trusted and engaging organization improving the lives of children around the globe	**5.2**	—	**5.2**
Output 5.1: The public has increased awareness of and familiarity with the work of UNICEF as the leading organization for children in private sector markets	1.8	—	1.8
Output 5.2: The work of UNICEF has increased recognition and the organization is viewed as one that "gets things done"	1.3	—	1.3
Output 5.3: UNICEF mobilizes audiences to take action for children in private sector markets	1.3	—	1.3
Output 5.4: UNICEF optimizes the use of compelling, engaging and emotive content to build its brand	0.8	—	0.8
Outcome 6: By 2018, UNICEF is well-positioned, with a common culture, to deliver on ambitious results with the private sector, and with the public sector in National Committee countries	12.5	—	**12.5**
Output 6.1: UNICEF is fit for business, with responsive, transparent and accountable governance	4.6	—	4.6
Output 6.2: UNICEF plans and delivers as one UNICEF, with the efficient and effective management of results	4.3	—	4.3
Output 6.3: Versatile, safe and secure information systems support the delivery of the Private Sector Plan 2018–2021: IMPACT for Every Child	2.4	—	2.4
Output 6.4: The versatile staff of UNICEF and the National Committees collaborate as agents of change with the private sector	1.1	—	1.1
Development effectiveness	**4.1**	—	**4.1**
Outcome 6: By 2018, UNICEF is well-positioned, with a common culture, to deliver on ambitious results with the private sector, and with the public sector in National Committee countries	**4.1**	—	**4.1**
Output 6.1: UNICEF is fit for business, with responsive, transparent and accountable governance	4.1	—	4.1
Management	**8.5**	—	**8.5**
Outcome 6: By 2018, UNICEF is well-positioned, with a common culture, to deliver on ambitious results with the private sector, and with the public sector in National Committee countries	**8.5**	—	**8.5**
Output 6.1: UNICEF is fit for business, with responsive, transparent and accountable governance	4.0	—	4.0
Output 6.2: UNICEF plans and delivers as one UNICEF, with the efficient and effective management of results	4.2	—	4.2

Expected results	*Resource requirements*		
	Regular resources	*Other resources*	*Total*
Output 6.4: The versatile staff of UNICEF and the National Committees collaborate as agents of change with the private sector	0.3	—	0.3
Total proposed budget for achieving results	**194.1**	**63.9**	**258.0**

IV. Revenue and expense projections for 2019

A. Introduction

33. The format and presentation of the budget and tables are aligned with those of the UNICEF integrated budget, 2018–2021. The PFP expenses are divided into three categories: special purpose, development effectiveness and management.

34. The PFP expenses that fall under the development effectiveness and management categories were approved by the Executive Board as part of the UNICEF integrated budget, 2018–2021. The present submission presents the 2019 special purpose expenses to the Executive Board for approval.

35. Planning for the 2019 PFP budget was based on a medium growth scenario (see table 3) using individual country submissions sent to PFP in July 2018. Total private sector revenue for the medium growth scenario, at $1.8 billion, is forecast to be $181 million, or 11 per cent higher than 2018 budget of $1.6 billion. The Board will be requested to authorize PFP to incur expenses in line with the medium-growth scenario and to increase expenses up to the level of the high-growth scenario, should the proceeds from fundraising reach the high projected revenue levels, and to reduce expenses should the proceeds decrease.

36. The expenses/private sector revenue ratio will decrease from 14.8 per cent in the 2018 budget to 14.5 per cent in 2019. When evaluating operating expenses alone, i.e., excluding investment funds and special purpose budget OR expenses, the operational expenses/private sector revenue ratio will decrease from 4.9 per cent in the 2018 budget, or $77 million, to 4.5 per cent, or $79 million, in the budget proposed for 2019. The decrease indicates rapid revenue growth combined with contained costs. The efficiency ratio is projected to improve over the duration of the IMPACT Plan as revenue grows, declining from 4.5 per cent in 2019 to 4.1 per cent in 2021.

37. As indicated in table 1, the indicative net private sector surplus for 2019, after deducting PFP expenses, investment funds and National Committee licensing expenses, is projected to reach $1.5 billion. This figure is $158.3 million, or 12 per cent, higher than the budget figure for 2018.

B. Revenue

38. The proposed budget for 2019 projects an 11 per cent increase in total private sector revenue, from $1.6 billion in the 2018 budget to $1.8 billion in 2019.

39. This revenue growth includes an increase of 13 per cent, or $95 million, in private sector RR revenue, from $757 million in the 2018 budget to $853 million proposed for 2019. For OR, there is a projected increase of 10 per cent, or $85 million, from $838 million in the 2018 budget to $924 million proposed for 2019.

C. Expenses

40. The total PFP expenses for both the institutional budget and the proposed special purpose budget in 2019 is $258 million. This is a $22 million increase from the 2018 budget of $236 million. The $22 million comprises an increase in investment funds of $10 million, an additional $10.3 million of special purpose OR costs for country office fundraising and a $1.7 million increase in expenses covered by RR.

1. Development effectiveness costs (institutional budget)

41. In PFP, development effectiveness costs cover the management of the strategic relationship with the National Committees. The proposed development effectiveness budget for 2019 will decrease by $0.2 million, from $4.3 million to $4.1 million, from the 2018 budget, and will remain in line with the institutional budget ceilings approved as part of the UNICEF integrated budget, 2018–2021. The decrease is due to re-evaluated standard salary costs.

2. Management costs (institutional budget)

42. In PFP, management costs cover the activities of the Director's Office and Strategic Planning and the Operations and Finance sections. Management costs will decrease by 2 per cent, from $8.7 million in the 2018 budget to $8.5 million in 2019, due to re-evaluated standard salary costs.

43. Management costs, which are funded by the institutional budget component of the PFP budget, remain in line with the institutional budget for the period 2018–2021, approved as part of the UNICEF integrated budget, 2018–2021.

3. Special purpose costs

44. Special purpose costs are defined as costs that cover activities of a cross-cutting nature that (a) involve material capital investments; or (b) do not represent a cost related to the management activities of the organization.

45. In PFP, special purpose costs covered by RR refer to the activities of Private Sector Fundraising and Partnerships; Country Office Support; Communication and Marketing; and Procurement. Special purpose costs covered by OR represent a ceiling, and cover direct fundraising costs in UNICEF country offices with fundraising programmes.

46. When comparing only the special purpose component of the PFP budget, the budget will increase by 10 per cent, from $223 million in 2018 to $245.4 million in 2019, representing an increase of $22.4 million over that approved for 2018.

47. Of the $22.4 million increase from 2018 to 2019, $10 million is the agreed increase in investment funds to further grow RR and develop critical and sustainable revenue streams, such as legacies and digital fundraising, as agreed in the UNICEF integrated budget, 2018–2021, and remains one of the key strategies for increasing RR revenue over the course of the IMPACT Plan.

48. A further $10 million increase out of the total $22.4 million increase from 2018 to 2019 is due to a $10.3 million increase in the country office direct fundraising special purpose OR ceiling, offset by a decrease in direct country office expenses covered by RR of $0.3 million.

49. The remaining $2.4 million is an increase in operational costs directly related to the new partnerships initiatives, and all expenses are classified under Private Sector Fundraising and Partnerships. The budgets of other sections supported by special purpose RR are not increasing compared with the 2018 approved budget.

50. The proposed budget for Private Sector Fundraising and Partnerships will increase by $2.4 million, or 7 per cent, from $33.8 million in the 2018 approved budget to $36.3 million in 2019. The increase is due to the implementation of the new partnerships initiative. To meet the goals, the fundraising structure has been revised to focus on strategic priorities. While there have been no new positions created for 2019, PFP will invest to accelerate work towards achieving the IMPACT Plan, specifically, growing our individual supporters and donors and maximizing engagement with business, including moving staff closer to markets and ensuring that staff are fully trained to assume their new roles. Furthermore, PFP must ensure that change is adequately facilitated to maintain fundraising/partnership-building momentum, and that a widened PFP presence in new and existing offices is correctly equipped operationally for optimal working conditions.

51. Table 3 outlines the range of budgeted revenue and expenditure for 2019. The medium projection is the agreed target for 2019 set out in the IMPACT Plan, which includes yearly targets through 2021. The high projection is based on high-performing strategic investments with returns on investment beyond their projected ratios.

Table 3

UNICEF Private Sector Plan 2018–2021: IMPACT for Every Child: range of budgeted revenue and expenditure, 2019

(Millions of United States dollars)

	I (low projection)	*II (medium projection)*	*III (high projection)*
Private sector revenue			
National Committees	1 442.2	1 486.8	1 536.4
Country offices	280.8	289.5	298.2
Total private sector revenue	**1 723.0**	**1 776.3**	**1 834.6**
Private Fundraising and Partnerships (PFP) expenses			
A. Development effectiveness costs	**4.1**	**4.1**	**4.1**
National Committee Relations	4.1	4.1	4.1
B. Management costs	**8.5**	**8.5**	**8.5**
Director's Office and Strategic Planning	1.5	1.5	1.5
Operations and Finance	6.9	6.9	6.9
C. Special purpose costs	**233.9**	**245.4**	**251.9**
Private Sector Fundraising and Partnerships	34.4	36.3	38.1
Country Office Support[a]	6.6	6.9	7.3
Country office direct fundraising costs	62.0	65.2	68.5
Communication and Marketing	10.7	11.3	11.8
Procurement	1.3	1.4	1.4
Private Sector Engagement	8.9	9.4	9.9
Investment funds	110.0	115.0	115.0
Total PFP expenses	**246.5**	**258.0**	**264.5**

	I (low projection)	*II (medium projection)*	*III (high projection)*
Licensing/sales expenses of National Committees	0.7	0.7	0.7
Net private sector surplus	**1 475.8**	**1 517.5**	**1 569.4**

[a] Country office support costs include the Country Office Development and Support unit and the regional support centres.

Table 4

Financial projections for the UNICEF Private Fundraising and Partnerships Plan 2014–2017 and Private Sector Plan 2018–2021: IMPACT for Every Child

(Millions of United States dollars)

	2017 actual results	*2018 approved budget*	*2018 latest estimates*	*2019 proposed budget*	*2020[a] projections*
Private sector revenue					
Revenue from greeting cards and products	7.7	7.0	7.0	7.0	7.0
Private sector fundraising contributions	1 457.6	1 588.7	1 588.7	1 769.3	1 990.3
National Committees	1 256.8	1 328.7	1 328.7	1 479.8	1 664.6
Country offices	200.8	260.0	260.0	289.5	325.7
Other revenue	0.0	0.0	0.0	0.0	0.0
Total private sector revenue	**1 465.3**	**1 595.7**	**1 595.7**	**1 776.3**	**1 997.3**
Private Fundraising and Partnerships (PFP) expenses					
A. Development effectiveness costs	**3.4**	**4.3**	**4.0**	**4.1**	**4.3**
National Committee Relations	3.4	4.3	4.0	4.1	4.3
B. Management costs	**14.8**	**8.7**	**8.5**	**8.5**	**8.7**
Director's Office and Strategic Planning	1.8	1.6	1.4	1.5	1.6
Operations and Finance	13.0	7.1	7.1	6.9	7.1
C. Special purpose costs	**156.1**	**223.0**	**201.7**	**245.4**	**259.0**
Private Sector Fundraising and Partnerships	20.1	33.8	29.5	36.3	25.1
Country Office Support[a]	4.7	6.9	5.2	6.9	7.2
Country office direct fundraising costs	34.5	55.3	43.8	65.2	75.5
Communication and Marketing	7.1	11.3	10.2	11.3	11.9

	2017 actual results	2018 approved budget	2018 latest estimates	2019 proposed budget	2020[a] projections
Procurement	1.2	1.4	1.3	1.4	1.5
Private Sector Engagement	5.5	9.4	6.7	9.4	22.8
Investment funds	83.0	105.0	105.0	115.0	115.0
Total PFP expenses	**174.3**	**236.0**	**214.2**	**258.0**	**272.0**
Sales/licensing expenses of National Committees	0.3	0.4	0.4	0.7	0.7
Sales/impairment	5.4				
PFP foreign exchange gains (losses)	(8.3)	0.0	0.0	0.0	0.0
Net private sector surplus	**1 293.6**	**1 359.3**	**1 381.1**	**1 517.5**	**1 724.6**

[a] Projections for the year 2020 are tentative and therefore subject to change.
[b] Country Office Support costs include the Country Office Development and Support unit and regional support centres.

V. Investment funds

52. Private sector investment funds are managed, allocated and monitored by PFP as part of the Division's accountability to increase private sector revenue. Private sector fundraising contributions are projected to reach $1.8 billion by the end of 2019.

53. For 2019, the proposed investment fund budget is requested to increase from $105 million in the 2018 approved budget to $115 million, or a 10 per cent increase, to further grow RR and develop such critical revenue streams as pledge, legacies, the new partnerships realignment and digital fundraising. In 2018, PFP RR is projected to grow by 14 per cent compared with the 2017 actual RR revenue, or by $95 million. Over the period 2018–2021, RR is projected to reach $3.6 billion, an additional $1.2 billion over the period 2014–2017, and continuing investment at the levels outlined in the IMPACT Plan is a prerequisite for growth. Increased resources must be accompanied by investment in improving technical skills and systems at headquarters and in countries to ensure that returns are optimized. Furthermore, investment funds of over $100 million per year cannot be successfully managed without robust risk management capacity. The alignment of investment fund allocations with the Plan and improved revenue monitoring have ensured that investment funds are effectively deployed to secure growth in private sector revenue.

54. The projected return on 2019 investment funds is in line with the 3:1 minimum required for the investment funds portfolio, with the exception of funds relating to legacy giving and innovation. Investment in legacy giving has a longer payback period, with a significantly higher return, but cannot be accurately projected over a three-year period. Limited funds will be available for innovation and for testing new fundraising techniques with no immediate return on investment but which will ensure that UNICEF remains at the forefront of exploring new fundraising techniques.

55. To keep the planning, monitoring and reporting of investment funds rigorous and transparent, PFP continues to analyse the reporting capacity of National Committees and country offices. Development of a new investment funds online platform will permit the full investment fund review requested by the Executive Board for 2021.

VI. Human resources: post changes

56. In 2019 the number of posts funded by the PFP budget is proposed to be 491 worldwide. Of the total, 44 posts are funded by the institutional budget and located at headquarters. There are 263 posts funded by RR (special purpose RR), of which 222 are considered to be a part of headquarters, 24 a part of regional offices and 17 within country offices. There are 228 posts funded by revenue generated from fundraising operations in country offices (special purpose OR), of which 224 are fundraising posts in country offices and four are a part of headquarters. A summary of the post changes proposed for 2019 is provided in annex I.

57. There are no additional posts funded by PFP headquarters (special purpose RR) in 2019 compared with 2018. The post changes that are requested to take effect on 1 January 2019 represent the decentralization of 12 posts outside of Geneva in order to move the business of PFP closer to markets. This will significantly increase the global presence of PFP, and will mean almost 40 per cent of roles to build private sector partnerships will be outside of Geneva.

58. There is an increase from 195 posts in 2018 to 228 posts in 2019 for posts funded by country office fundraising revenue. All the new posts will be self-financed from revenue generated by fundraising operations in country offices (special purpose OR).

59. For country offices that directly fund their fundraising programmes through their gross revenue, PFP and the respective regional directors share approval responsibilities for posts funded by special purpose OR, with final approval resting with the regions. Since 2016, the expenses for these posts have been reflected in the PFP financial report, while the posts remain within the structure of the country offices.

VII. Draft decisions

60. The draft decisions relating to the Private Fundraising and Partnerships budget for 2019 are presented below for approval by the Executive Board.

A. Private Fundraising and Partnerships budgeted expenses for the 2019 fiscal year (special purpose)

The Executive Board

1. *Approves* for the fiscal year 2019 (1 January to 31 December) budgeted special purpose expenses of $245.4 million, as detailed in the table below:

(Millions of United States dollars)

Investment fund costs funded by special purpose regular resources	115.0
Other private sector fundraising costs funded by special purpose regular resources	66.5
Total private sector fundraising and partnerships costs funded by special purpose regular resources	**181.5**

Private sector fundraising and partnerships costs funded by special purpose other resources	**63.9**
Total special purpose expenses	**245.4**

2. *Authorizes* UNICEF

(a) To incur expenses, as summarized in column II of table 3 of document E/ICEF/2019/AB/L.1, and to decrease or increase expenses up to the levels indicated in columns I and III of the same table, should the apparent revenue from fundraising decrease or increase to the levels indicated in columns I and III;

(b) To redeploy resources between the various regular resources budget lines (as detailed in paragraph 1, above), up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2019 approved workplan;

3. *Encourages* the Executive Director to identify and respond to new market opportunities, should they arise, between Executive Board sessions and to notify the Board accordingly.

B. Budgeted revenue for the year 2019

The Executive Board

Notes that, for the period 1 January to 31 December 2019, Private Fundraising and Partnerships revenue is budgeted at $1.8 billion, as shown in column II of table 3 of document E/ICEF/2019/AB/L.1.

C. Policy issues

The Executive Board

1. *Approves* the allocation of investment funds amounting to $115 million for 2019;

2. *Approves* an interim one-month allocation for January 2020 of $18.2 million (or 10 per cent of the special purpose regular resources allocation of $181.5 million), to be absorbed in the annual Private Fundraising and Partnerships budget for 2020.

Annex I

Summary of post changes proposed for 2019

Detail	Post levels										
	D2	D1	P6	P5	P4	P3	P2	Total IP	NO	GS	Grand total
Base post authorization table: 2018 approved	**1**	**4**	**2**	**21**	**65**	**73**	**12**	**178**	**0**	**44**	**222**
Private Fundraising and Partnerships (PFP) headquarters											
Approved 2018	1	4	2	21	65	73	12	178	0	44	222
Post changes 2019											
Management	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Development effectiveness	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Special purpose	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Proposed 2019	**1**	**4**	**2**	**21**	**65**	**73**	**12**	**178**	**0**	**44**	**222**
Change vs. 2018 approved	0	0	0	0	0	0	0	0	0	0	0
Regional support centres and UNICEF country offices (special purpose)											
Approved 2018	0	0	0	5	12	10	0	27	5	9	41
Post changes 2018 latest estimates	0	0	0	0	0	0	0	0	0	0	0
Proposed 2019	**0**	**0**	**0**	**5**	**12**	**10**	**0**	**27**	**5**	**9**	**41**
Change vs. 2018 approved	0	0	0	0	0	0	0	0	0	0	0
Total PFP regular resources											
Approved 2018	1	4	2	26	77	83	12	205	5	53	263
Proposed 2019	**1**	**4**	**2**	**26**	**77**	**83**	**12**	**205**	**5**	**53**	**263**
Change vs. 2018 approved	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PFP headquarters: other resources (special purpose)											
Approved 2018	0	0	0	0	4	0	0	4	0	0	4
Proposed 2019	**0**	**0**	**0**	**0**	**4**	**0**	**0**	**4**	**0**	**0**	**4**
Change vs. 2018 approved	0	0	0	0	0	0	0	0	0	0	0
UNICEF country offices: other resources (special purpose)											
Approved 2018	0	0	0	1	6	2	0	9	86	100	195
Post changes 2018 latest estimates	0	0	0	0	3	1	0	4	14	11	29

Detail	*Post levels*										
	D2	*D1*	*P6*	*P5*	*P4*	*P3*	*P2*	*Total IP*	*NO*	*GS*	*Grand total*
Proposed 2019	**0**	**0**	**0**	**1**	**9**	**3**	**0**	**13**	**100**	**111**	**224**
Change vs. 2018 approved	0	0	0	0	3	1	0	4	14	11	29
Total PFP other resources											
Approved 2018	0	0	0	1	10	2	0	13	86	100	199
Proposed 2019	**0**	**0**	**0**	**1**	**13**	**3**	**0**	**17**	**100**	**111**	**228**
Change vs. 2018 approved	0	0	0	0	3	1	0	4	14	11	29
Total PFP											
Approved 2018	1	4	2	27	87	85	12	218	91	153	462
Proposed 2019	**1**	**4**	**2**	**27**	**90**	**86**	**12**	**222**	**105**	**164**	**491**
Change vs. 2018 approved	0	0	0	0	3	1	0	4	14	11	29

Annex II

Summary of the UNICEF Private Sector Plan 2018–2021: IMPACT for Every Child

I. Background and process

1. The UNICEF Private Sector Plan 2018–2021: IMPACT for Every Child (IMPACT Plan) presents a common vision and framework for private sector fundraising and partnerships across UNICEF, including in headquarters divisions, regional and country offices and the National Committees for UNICEF, in support of the UNICEF Strategic Plan, 2018–2021. The IMPACT Plan is led by the Division of Private Fundraising and Partnerships (PFP) as custodian of the relationship with the National Committees and as coordinator of UNICEF private sector fundraising and engagement. The Plan embraces areas of mutual interest and engagement with the private sector between UNICEF divisions, regional offices, National Committees and country offices to ensure effective coordination and alignment on key strategies that support the achievement of the organizational goals outlined in the Strategic Plan.

2. Through close consultation with key stakeholders since January 2016, PFP has aimed to develop a plan that includes: a four-year overview of priority objectives and strategies; a road map of key implementation activities and high-level resource requirements; clearly defined roles and responsibilities; success measures and performance targets; and clear alignment with and support for the Strategic Plan and the 2030 Agenda for Sustainable Development.

3. The process was led by the PFP senior management team and coordinated by the Strategic Planning section and the PFP Planning Task Force, with contributions from experts from National Committees, country and regional offices and headquarters divisions. Throughout the process, consultations were held within the wider organization and with external stakeholders to maximize knowledge-sharing, idea generation and collective ownership.

II. What is new in the IMPACT Plan?

4. A situation analysis of the work of UNICEF with the private sector was conducted in the first half of 2016 involving consultations across National Committees and country and regional offices. The analysis found that, with sufficient investment, market knowledge and development, the potential to significantly enhance revenue growth, especially of unrestricted resources, was immense. It also identified the vast potential in mobilizing the private sector for advocacy and in harnessing business assets, policies and practices to achieve programmatic results. All of these areas will be critical to achieving the child-focused Sustainable Development Goals by 2030.

5. To realize the full potential of the private sector, UNICEF needs to decisively embrace the role of leader in all aspects of financial and non-financial engagement. This requires a quantum leap in the organization's fundraising, engagement and advocacy ambitions relating to the private sector. UNICEF needs to reposition the private sector as a core priority; to be bold, focused and agile in its work with the sector; to become truly cutting-edge in the digital world; and to match ambitious goals with the requisite human and financial investments.

6. The private sector revenue goal is to raise $9.6 billion gross ($7.5 billion net) over the period 2018–2021. This represents an increase in gross private sector revenue

of $2.8 billion and a doubling of the number of individual donors to UNICEF in comparison with the Private Fundraising and Partnerships Plan 2014–2017. This goal is an expression of what UNICEF will collectively aim to reach across country offices, National Committees, PFP and other divisions. The private sector will also support the delivery of UNICEF change strategies, as outlined in the UNICEF Strategic Plan, 2018–2021.

III. IMPACT Plan revenue targets

Table 1
Gross and net revenue targets for regular resources, other resources (regular) and other resources (emergency)

(Billions of United States dollars)

	2018	*2019*	*2020*	*2021*
Gross revenue	2.020	2.250	2.530	2.750
Total private sector revenue after National Committee expenses	**1.596**	**1.776**	**1.997**	**2.161**
Of which regular resources	0.757	0.853	0.959	1.042
Of which other resources (regular)	0.738	0.823	0.939	1.018
Of which other resources (emergency)	0.100	0.100	0.100	0.100

IV. IMPACT Plan results framework

7. In the final results framework of the UNICEF Strategic Plan, 2018–2021, PFP results contribute to the change strategies, which in turn contribute to the five Strategic Plan Goal Areas: every child survives and thrives; every child learns; every child is protected from violence and exploitation; every child lives in a safe and clean environment; and every child has an equitable chance in life. In particular, PFP will contribute to the following change strategies: winning support for the cause of children from decision makers and the wider public; developing and leveraging resources and partnerships for children; and harnessing the power of business and markets for children.

8. UNICEF is adopting an audience-based approach to achieving results with the private sector. The key private sector audiences are: individual supporters; key influencers; businesses; and governments in National Committee countries. The approach recognizes the key role of these audiences as well as the critical synergies between them for delivering results for children.

9. The goal for the audience of individual supporters is that, by 2021, 100 million people are changing the world with UNICEF through their voices and donations. The expected outcomes by 2021 are that 14 million people are donating $1.7 billion annually and 100 million people (including supporters, advocates, volunteers, donors and children) are mobilized for children's rights.

10. The goal for the key influencers is that their impact and effectiveness are maximized to advance children's rights and well-being. The expected outcomes are that leading philanthropic partners commit to working with UNICEF and investing $787 million annually by 2021 to achieve transformational change for children and key influencers engage their voices in delivering on child rights, amplifying UNICEF advocacy messaging on priority issues.

11. The goal for the business audience is that their power, reach and influence are fully harnessed for children. The expected outcomes are that partnerships with businesses deliver income, influence, and/or core business and assets for children; that businesses take sustainable action to respect children's rights in all their activities and relationships; and that businesses and their stakeholders advocate for the rights of children.

12. The goal for governments is that those in National Committee countries deliver on UNICEF priorities for children, as defined in the Strategic Plan, 2018–2021, both domestically and globally. The expected outcomes are that governments maintain and increase their budgets for children and increase action to respect, protect and fulfil children's rights domestically, regionally and globally.

13. The UNICEF brand is being positioned as a critical driver to connect effectively with the organization's key audiences. UNICEF will seek to become the most trusted and engaging organization improving the lives of children around the globe.

14. A number of preconditions must be in place for UNICEF to effectively engage with the private sector and to be well-positioned to achieve the ambitious goals of the IMPACT Plan. These include being fit for business with the private sector, with UNICEF and the National Committees planning and delivering effectively together and employing adequate information systems and versatile staff.

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UNICEF management response to the report of the United Nations Board of Auditors

Summary

In July 2018, the United Nations Board of Auditors formally issued its financial report and audited financial statements for the year ended 31 December 2017 and its report for UNICEF (A/73/5/Add.3) and awarded the organization an unqualified audit opinion for the year ended 31 December 2017. This achievement also marks the sixth year of unqualified audit opinions for UNICEF financial statements prepared under the International Public Sector Accounting Standards (IPSAS) starting in 2012. This demonstrates the commitment of UNICEF to the implementation of IPSAS.

The UNICEF Executive Director continues to emphasize economy, efficiency and effectiveness as top priorities. The work of UNICEF staff around the world who are at the front line of implementing the governance, risk management and internal controls (including anti-fraud) mechanisms ensures that funds entrusted to UNICEF are managed with appropriate fiduciary accountability to achieve results for children.

Pursuant to UNICEF Executive Board decision 2018/3 paragraph 7, the present report provides a separate management response to the key findings and recommendations of the annual report of the Board of Auditors for the year ended 31 December 2017. The report includes management comments on the recommendations issued and progress updates on the implementation of those recommendations. This report should be read in conjunction with portions relevant to UNICEF of the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors (A/73/353/Add.1) and the long-form report of the Board of Auditors. This report also takes into consideration comments of the Advisory Committee on Administrative and Budgetary Questions (A/73/430) and the Fifth Committee in their respective reviews of the annual report of the Board of Auditors (A/73/5/Add.3) and the concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the 2017 annual financial period (A/73/209).

* E/ICEF/2019/1.

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UNICEF has also included in this report, a summary update on the anti-fraud strategy pursuant to the Executive Board decision 2018/3 paragraph 6.

UNICEF greatly appreciates the insights of the Board of Auditors and the related observations and recommendations included in the report. UNICEF has committed to the implementation of all the recommendations by the end of the first quarter of 2019 and is looking forward to the assessment of the management actions and closure of these recommendations by the Board of Auditors during their audit of the 2018 financial statements.

I. Introduction

1. UNICEF has received an unqualified audit opinion from the United Nations Board of Auditors on its financial statements for the year ended 31 December 2017. This marks the sixth year of unqualified audit opinions since the implementation of the International Public Sector Accounting Standards (IPSAS) in 2012. This achievement is important as it demonstrates the commitment of UNICEF to continuous improvement in financial management and transparency in financial reporting and accountability. UNICEF will continue to strive for greater operational excellence, efficiency and effectiveness while ensuring that adequate internal controls, risk management and fiduciary responsibilities are satisfactorily fulfilled. The tone set at the level of senior management by the Executive Director, the Deputy Executive Directors, the Comptroller and Heads of Office has been instrumental in enabling UNICEF to receive unqualified audit opinions. Equally important has been the effort of staff members in all locations who are at the front line of ensuring internal controls, governance and risk management are efficiently and effectively implemented.

2. Annex I presents a summary table of the number of recommendations issued by the Board of Auditors in 2017 by priority and risk area. The Board of Auditors issued 36 recommendations, of which 7 were classified as main recommendations (high priority) and 29 were classified as other recommendations (medium priority). The Board of Auditors reiterated 4 recommendations out of the 36 issued. UNICEF strives to implement management actions, prioritizing the main recommendations as designated by the Board of Auditors. To sustain progress and realize additional gains from implementing recommendations from the Board of Auditors, UNICEF will continue to strengthen management and operations through proactive innovation of its oversight, monitoring, risk management and internal control mechanisms and activities.

3. This report also takes into consideration comments of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (A/73/430) and the Fifth Committee in their respective reviews of the report of the Board of Auditors (A/73/5/Add.3) and the concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the 2017 annual financial period (A/73/209).

4. With respect to the timing of implementation, every effort has been made by the UNICEF Comptroller to establish target dates to complete the implementation of the recommendations. UNICEF has committed to implementing management actions on all recommendations by the end of the first quarter of 2019 and is looking forward to having them assessed for closure by the Board of Auditors during their audit of the 2018 financial statements.

5. With regards to prioritization, it is noted that the Board of Auditors categorizes the most important recommendations as 'main' recommendations. While all accepted recommendations of the Board of Auditors will be implemented in a timely manner, the main recommendations will be of the highest priority, and actions for their implementation will be monitored closely by senior management.

II. Management response to audit recommendations by risk and priority area

6. The following is a summary of the management response to audit recommendations issued by the Board of Auditors. This management response is consistent with the information provided in the 2017 report of the Secretary-General

on the implementation of the recommendations of the Board of Auditors Report (A/73/353/Add.1).

7. The Office of the Comptroller has been tasked with monitoring implementation of the recommendations including providing regular updates on progress to the Executive Director. Management actions will be targeted to prioritize the 7 main recommendations, however, actions to address the other 29 recommendations will be taking place concurrently to meet the implementation deadlines that UNICEF has committed to for each recommendation.

8. Progress on all the recommendations is on track per the implementation deadlines that were presented in the 2017 report of the Secretary General on the implementation of the recommendations of the United Nations Board of Audit report.

A. Financial management

9. The recommendations classified under financial management were mostly related to observations by the Board of Auditors as to where UNICEF could enhance disclosures in the notes to the financial statements to provide additional information to stakeholders. There were five recommendations in total, of which one was considered as a main recommendation and four classified as other recommendations. UNICEF has committed to implementing the recommendations by end of the first quarter of 2019.

Main recommendation (high priority)

10. In paragraph 37, the Board recommended that UNICEF explain the material differences between the actual amounts and budgeted amounts in the financial statements in accordance with the IPSAS requirement.

11. UNICEF provided a variance analysis in chapter IV of the financial statements in the discussion and analysis section of the financial overview. This disclosure in the financial overview is in line with the applicable IPSAS standard. UNICEF is however making arrangements to provide supplementary explanations for material differences between actual amounts and budgeted amounts in its 2018 financial statements.

Other recommendations (medium priority)

12. In paragraph 15, the Board recommended that UNICEF review all multi-year donor agreements and decide whether their stipulations satisfy the criteria of conditions.

13. UNICEF agrees to continue to review both the contribution agreements as grants are created and to develop a documented mechanism for the process.

14. In paragraph 19, the Board recommended that UNICEF suitably disclose its accounting policy for recognition of in-kind revenue.

15. For 2017, all in-kind contributions were recognized and disclosed in the financial statements based on receipt, which is the most common approach. UNICEF considers such disclosure to be in line with IPSAS requirements. UNICEF will however revisit the IPSAS policy position and the policy disclosure in the notes to the financial statements for the year ending 31 December 2018.

16. In paragraph 21, the Board recommended that UNICEF disclose the net assets of institutional and regular resource programme segments as distinct segments.

17. The institutional budget of UNICEF is an allocation of its regular resource funds to cover institutional costs and any unused funds returned to regular resources.

UNICEF combined the net assets of institutional and regular resource programme segments and disclosed them under the institutional segment. UNICEF agrees to move the combined figures under the regular resource segment, but it may be inappropriate for these to be shown separately.

18. In paragraph 28, the Board recommended that UNICEF depict the contributions receivable at their fair value in compliance with IPSAS.

19. UNICEF continues to monitor the impact of discounting receivables on an annual basis and to adjust when the impact is considered material. UNICEF will put in place a clear materiality framework which will guide the reviews conducted by management on this matter.

B. Travel management

20. The recommendations classified under travel management mostly relate to the VISION enterprise resource planning (ERP) module for travel management and the controls imposed by the end-to-end process of creation and closure of trips in the module. UNICEF remains confident in the VISION ERP system and the automated controls that have provided for efficient management of travel across all UNICEF offices, including the ability to book, record and close a trip electronically without manual intervention. UNICEF acknowledges that there is always room to improve some practices. The management actions being taken by UNICEF in this area will address the risks raised by the auditors, while also making efforts to retain the efficiencies that have been created over time by eliminating manual interventions in the travel process and instead relying on automated controls which are more consistent, reliable, effective and efficient. The recommendations issued under this category were four, from which three are main recommendations and one is classified as other recommendation. UNICEF has committed to implementing the recommendations by end of the first quarter of 2019.

Main recommendations (high priority)

21. In paragraph 48, the Board recommended that UNICEF review and ensure compliance with the internal control mechanism in the travel management and related processes.

22. UNICEF anticipates improved compliance with the internal control mechanism globally based on the implementation of new certification measures that include three functional enhancements in the VISION system, as follows: (a) a formal warning mechanism for staff having more than two trips open; (b) automated reminders for open travel authorizations; and (c) a '"hard stop' (i.e., an automatic control that would not allow the system to process any further travel authorizations) on new travel authorizations when more than three are already open. UNICEF further plans to enhance required system changes to improve other internal control mechanisms related to travel.

23. In paragraph 50, the Board further recommended that UNICEF review its policy of releasing 100 per cent of daily subsistence allowance and expensing it on creation of a trip.

24. UNICEF is reviewing its policy on the release of 100 per cent of the daily subsistence allowance. UNICEF is planning that for non-staff members (consultants), the policy will be updated to advance only 80 per cent of the daily subsistence allowance. For staff, emphasis will be placed on travellers completing their trip certifications within the compliance period, with those failing to do so risking having travel advances deducted from their salary.

25. The actions related to staff have taken into consideration that the use of the 80 per cent advance of the daily subsistence allowance was eliminated as an efficiency measure to reduce the volume of reconciliations and the number of staff resources that were required to perform them, which did not mitigate in any way the risk that staff members may not have closed their trips in the system in a timely manner after completion. The proposed policy change of charging the cost of trips to staff members who do not certify their trips on time is more efficient and effective in addressing the risk. The implementation of the recommendation for consultants recognizes that they tend to be short-term employees, hence their contracts may end before actions can be taken to deduct the cost of the trip. Management also considers that the additional work required for reconciliation will be less as the volume of consultant travel is much lower than that of staff members.

26. In paragraph 55, the Board recommended that UNICEF perform a verification of the compatibility and customization process of VISION, including the travel management functionality.

27. UNICEF observes rigorous application development and lifecycle standards in every instance of solutions management and delivery. In this regard, there are tightly controlled and applied applications development processes. In 2016, UNICEF engaged an external consultancy that carried out a partial review of custom-developed systems in preparation for future improvements of such systems. The code review exercise provided useful inputs for actions that have been incorporated in the ongoing enhancement of the VISION solution landscape.

28. UNICEF does not believe that completing a verification of the compatibility and customization process of VISION will add value since it was conducted recently in 2016. However, the elements listed in the Board's audit findings on the travel process will be addressed with enhancements to the system and training for the users. In this regard, UNICEF is planning to make the required enhancements to the travel management system after the ongoing upgrades to the VISION system are completed.

Other recommendation (medium priority)

29. In paragraph 49, the Board further recommended that UNICEF make travellers and managers aware of their duties and roles as envisaged in the travel policy.

30. UNICEF issues global broadcast messages to serve as reminders to staff of their responsibilities to comply with the travel policy, specifically on the need for the closure of open trips. In addition, there are ongoing training sessions for staff responsible for managing travel, to improve compliance rates. UNICEF considers this recommendation to be implemented. UNICEF is looking forward to presenting the mitigation actions already taken to the Board of Auditors and to request the closure of the recommendation.

C. Internal control

31. The recommendations under internal controls are related to the management actions of UNICEF to address exposure regarding segregation of duties in the system and the review of violation reports to address identified conflict in processes and transactions. There were two recommendations issued under this category, both classified under other recommendations. UNICEF is committed to implementing the recommendations by the end of the first quarter of 2019.

Other recommendations (medium priority)

32. In paragraph 61, the Board recommended that UNICEF complete a review of the user access management guide and the segregation of duties rules and update them in a time-bound manner.

33. UNICEF is working on the updates of the user access management guide and the rules. The updated guide will be issued for use in the first quarter of 2019.

34. In paragraph 62, the Board further recommended that UNICEF update the segregation of duties violation report to incorporate transaction-level monitoring and mitigate any conflict in processes at the Global Shared Services Centre.

35. UNICEF is updating the segregation of duties exception report and is planning to incorporate transaction-level monitoring as recommended by the Board. Progress has been made in reconfiguring the report, and it is currently being tested before implementation as a management monitoring report.

D. Management of consultants

36. The recommendations classified under management of consultants relate to UNICEF compliance with the procedures for hiring consultants and the reliability of the related information and documents available in VISION. There were two recommendations issued under this category, both under other recommendations. UNICEF committed to implementing one of them by the end of the second quarter of 2018 and had a difference of opinion on the best course of action in respect to the other recommendation, as explained in paragraph 40 below.

Other recommendations (medium priority)

37. In paragraph 77, the Board recommended that UNICEF ensure compliance with the procedures for hiring consultants.

38. In July 2018, the Division of Human Resources (DHR) issued revised procedures to further strengthen the management of consultants and individual contractors, which continues to be decentralized. The new procedures provide more clarity to ensure a common understanding and compliance among offices. DHR will remind offices on a regular basis to ensure compliance with these procedures.

39. In paragraph 78, the Board further recommended that UNICEF ensure that VISION is updated with the latest information and all supporting documents are uploaded on a real-time basis.

40. UNICEF notes that due to the varied contexts in which it operates, its offices will continue to keep documents both physically and electronically, in accordance with its document retention policy and guidelines. All supporting documents are retained by the offices in either electronic or physical form at a minimum for 10 years before being destroyed in line with the document retention policies and procedures. DHR issued revised procedures in July 2018 to further strengthen the management of consultants and individual contractors.

41. Requiring UNICEF offices to upload documents in VISION is not the best way to efficiently manage document retention and to ensure efficient use of the ERP system. Uploading too many documents slows down the system and leads to inefficiencies in processing transactions and in obtaining management reports. UNICEF will continue to work with and support offices in strengthening their knowledge of the policy and will also provide guidance to offices on the implementation of and compliance with applicable procedures, including those on retention of supporting documents. Document retention policies and procedures will

be based on both electronic and physical documents using the filing and archiving systems available in the organization implemented through the new Enterprise Content Management system.

E. National Committees

42. The recommendations classified under the National Committees relate to UNICEF interaction and oversight of the National Committees. There were two recommendations issued under this category, both under other recommendations. UNICEF is committed to implementing the recommendations by the end of the first quarter of 2019.

43. In its report A/73/430, the ACABQ provided advice on compliance related to retention of 25 per cent of the gross revenue collected by National Committees for covering their costs and building up minimum reserve requirements. The overall contribution from National Committees exceeded the 75 per cent of gross revenue for 2015, 2016 and 2017. In 2017, overall National Committees exceeded their target by $3.1 million, contributing $1.2 billion to UNICEF. Each National Committee has different contribution targets ranging from 30 to 75 per cent, including a road map for reaching the desired target over a defined period. Most of the National Committees met their targets within 5 per cent of the agreed joint strategic plan. Specific to the 21 National Committees observed, 10 of them were within 10 per cent of meeting the target of 75 per cent contribution. There were also 13 National Committees that met or exceeded the target of 75 per cent. UNICEF will continue engaging and jointly planning with National Committees to maximize contribution rates and will monitor closely when targets in the joint strategic plan are not met.

Other recommendations (medium priority)

44. In paragraph 89, the Board recommended that UNICEF periodically interact with, guide and direct National Committees that are consistently delaying submission of audited financial statements and certified final revenue and expenditure reports.

45. UNICEF is in regular communication with the National Committees on a variety of topics, including the timely submission of audited financial statements and certified financial revenue and expenditure reports. The National Committees are independent organizations set up at the country level to raise funds to finance the activities of UNICEF, and the submission of their audited financial statements is contingent on the approval of their respective boards. Depending on the national laws of the country in which the National Committee operates, the timing of the meetings of the Board of the National Committees may not directly align with the closure dates of UNICEF financial statements. UNICEF management is satisfied that an adequate number of reports are received in time to meet the organizational goal of timely closure of accounts and that certifications by the National Committees provide reasonable assurance on the revenue and expenditure reports that is adequate for use in the financial reporting by UNICEF. UNICEF considers the recommendation as already fully implemented. UNICEF is looking forward to presenting information for assessment and discussion with the Board of Auditors and to subsequently request that the recommendation is closed.

46. In paragraph 92, the Board recommended that UNICEF engage with the National Committees for appropriate management of their investments and review their investment policies.

47. UNICEF is reviewing the investment policies of the National Committees. UNICEF is looking forward to presenting information for assessment by the Board of Auditors toward the closure of this recommendation.

F. Fundraising activities

48. The recommendations classified under fundraising activities relate to the UNICEF resource mobilization strategy, 2014–2017 related to corporate donor channels and fundraising for emergencies. There were four recommendations issued under this category, all under other recommendations. UNICEF has a difference of opinion on one of the recommendations related to corporate donors as the approach proposed is not aligned with the new 2018–2021 impact plan for mobilizing funds from the private sector to fund the UNICEF Strategic Plan, 2018–2021.

Other recommendations (medium priority)

49. In paragraph 104, the Board recommended that UNICEF analyse the reasons for low contributions and then formulate an appropriate strategy to enhance the level of contribution from potentially important income channels such as corporate donors. Management has agreed with this recommendation, however, there is a difference on the best course of action to address this recommendation.

50. UNICEF provided detailed comments in paragraph 105 of the Board of Auditors long-form report (A/73/5/Add.3, chapter. II). UNICEF management has already extensively analysed the target results, which has led to a new 2018–2021 impact plan which is the resulting evidence-based strategy. One of the proven key strengths of the 2018–2021 impact plan is that it relies on diversification of income channels to meet the overall income goals. As a result of this diversity, an estimation of future income with full precision is not possible. Overperformance in certain channels is balanced by underperformance in others. Overall, gross revenue targets for 2017 and for the four-year strategic plan period were met and significantly exceeded.

51. In paragraph 110, the Board recommended that UNICEF further strengthen its efforts in fundraising activities to obtain the desired response from donors to handle emergency situations.

52. UNICEF continues to make efforts to mobilize resources for emergency purposes, which include maintaining strong relations with donors, attending international meetings and humanitarian summits to strengthen networking and advocacy, and issuing press releases and initiating communication to sensitize public and private audiences on emergencies. Appeals are based on the stated needs within country and regional contexts and are aligned with the interagency assessment and planning processes.

53. In paragraph 116, the Board recommended that UNICEF strengthen the mechanism for monitoring donor reports and ensure their timely submission.

54. UNICEF is continuing to strengthen its monitoring of donor reports to improve their timeliness and quality.

55. In paragraph 117, the Board further recommended that UNICEF keep VISION updated with the latest information on submission of donor reports.

56. UNICEF is rolling out a new donor reporting portal, which will increase the visibility of the reports to donors, simplify their review and clearance process, and contribute to their timely submission to donors.

G. Management of cash transfers

57. The recommendations classified under management of cash transfers relate to the implementation of the harmonized approach to cash transfers (HACT) modalities and compliance with the policies and guidance related to the risk management, programme monitoring and direct cash advances. UNICEF has committed to the

implementation of the HACT framework with other funds and programmes to have a consistent way of working with implementing partners across the United Nations system. UNICEF acknowledges that there is always room to improve some practices, policies, guidance and systems, as well as their effectiveness. UNICEF implements the recommendations of the Board of Auditors with due consideration to ensuring that the actions remain true to the spirit of the HACT framework to ensure that harmonization across the funds and programmes in this area is respected. The Board of Auditors issued one main recommendation under this category. UNICEF considers this recommendation as implemented and has presented mitigation actions for review by the Board of Auditors following which closure has been requested.

Main recommendation (high priority)

58. In paragraph 131, the Board recommended that UNICEF review and strengthen the internal control and monitoring system for cash transfers to implementing partners and fully adhere to the established policy for these cash transfers.

59. In August 2018, UNICEF issued a revised procedure on HACT to implementing partners specifying the roles and responsibilities. Enhancements were made to the systems, management reports and dashboards related to implementing partners to enforce compliance with the procedural requirements and to allow the management in headquarters, regional and country offices and to provide effective monitoring and oversight. UNICEF considers this recommendation to be implemented and requests its closure by the Board.

60. UNICEF will continue reviewing on an ongoing basis the efficiency of the HACT approach and its effectiveness as a programme implementation modality. Results of these reviews are reflected in policy, guidance and systems enhancements to ensure that the modality is used to achieve results for children. Observations from the Board of Auditors, the Office of Internal Audit and Investigations (OIAI) and various assurance and programme monitoring activities provide valuable input into the process of continuous improvement in this area.

H. Procurement and inventory management

61. The recommendations under procurement and inventory management are related to UNICEF management actions to address issues related to the management of vendors, quality assurance checks and value added tax (VAT) claims. There were three recommendations issued under this category, which are classified under other recommendations. UNICEF is committed to implementing the recommendations by the end of the first quarter of 2019.

Other recommendations (medium priority)

62. In paragraph 144, the Board recommended that UNICEF update the vendor database with the results of evaluations/re-evaluations and the recommendations of the Vendor Review Committee on real-time basis.

63. UNICEF updates the vendor database on a real-time basis, and its policies on vendor evaluation and review include a provision for the Director of the Supply Division to approve waivers to allow procurement from blocked vendors in exceptional circumstances due to exigencies and other strategic organizational needs. UNICEF considers this recommendation as implemented and has presented mitigation actions for review by the Board of Auditors following which closure has been requested.

64. In paragraph 150, the Board recommended that UNICEF country offices claim and actively pursue the VAT refunds due.

65. UNICEF continues to utilize the tax and duty exemptions available to it as often as possible to avoid payment of taxes such as VAT. However, as exemptions are not always possible, any VAT payments made are subsequently claimed from the relevant government authorities. Noting that this recommendation was made in relation to observations in the country offices of Sri Lanka and Ghana, UNICEF is pleased to report that the Sri Lanka Country Office had recovered $12,883 as of March 2018, and the Ghana Country Office had recovered $94,140 as of July 2018. UNICEF considers this recommendation as implemented and has presented mitigation actions for review by the Board of Auditors following which closure has been requested.

66. In paragraph 159, the Board recommended that UNICEF follow the timeline for release of pharmaceutical and other stock from restricted to unrestricted stock after due quality checks.

67. The Supply Division reviewed the process for quality assurance and release of pharmaceutical and other stock materials into warehouse inventory and identified areas for further review and enhancement. As a result, UNICEF has initiated a significant enhancement through the development of a dashboard that will facilitate effective monitoring of the arrival, quality assurance and release of stock materials into the warehouse.

I. Contract management

68. The recommendations classified under contract management relate to improvements in the monitoring of key performance indicators (KPIs) for the management of contracts and follow-up actions required when the KPIs are not met. The recommendations issued under this category were four, with one main recommendation and three other recommendations. UNICEF had implemented the recommendations by the end of the third quarter of 2018 and the evidence of implementation will be provided for review to the Board of Auditors during their audit of the 2018 financial statements.

Main recommendation (high priority)

69. In paragraph 172, the Board recommended that UNICEF prescribe a definite timeline for closure of contracts and frame specific KPIs for monitoring their closure.

70. The prescription of a definite timeframe for closure of contracts may not be feasible as the timing of the closure varies based on circumstances and contingencies that may sometimes be external to UNICEF. However, UNICEF is continuing to monitor and improve the timeliness of the closure of contracts and will send reminders to all contract owners on a quarterly basis requesting that they close completed contracts that remain open in the system. UNICEF is also establishing a KPI for monitoring the closure of contracts and will revisit the policy on contracts requiring the performance evaluation of contractors.

Other recommendations (medium priority)

71. In paragraph 173, the Board further recommended that UNICEF analyse the reasons for negative balances in contracts for which the validity period has expired and take suitable action to address the issues.

72. UNICEF has analysed the reasons for contracts with negative balances in the supply dashboard and initiated the process of revising and correcting the dashboard to reflect accurate contract balances.

73. In paragraph 179, the Board recommended that UNICEF country offices levy liquidated damages against suppliers who fail to meet the supply timeline.

74. The Afghanistan Country Office has implemented a process whereby all overdue procurement activities are reviewed and a note for the record is initiated for explicit approval by management in exceptional circumstances where liquidated damages are not deemed to be an acceptable course of action. The Sri Lanka Country Office has implemented regular monitoring of open purchase orders and contracts, including monitoring of late deliveries of goods and services on a weekly basis. In cases of delay, the office works with suppliers to understand the reasons for late deliveries and documents the appropriate action. The cases of delays and recommended actions are approved by management and, in cases where liquidated damages are imposed, a letter of unsatisfactory performance is issued to the supplier and the supplier's profile is updated accordingly. UNICEF considers this recommendation as implemented and has presented mitigation actions for review by the Board of Auditors following which closure has been requested.

75. In paragraph 183, the Board recommended that UNICEF country offices ensure that the procurement procedure related to emergency supplies be completed and supplies delivered within the stipulated timelines.

76. The emergency supplies referred to by the Board had an unusually long procurement period due to extensive discussions between UNICEF and government counterparts, which were required to identify the right needs and specifications in the evaluation of the quoted products. Nevertheless, improvements have been made, including the establishment of: (a) an emergency supply plan within the emergency preparedness platform; (b) long-term agreements for the most critical supplies and services; and (c) a qualified vendor list for procurement of potential emergency supplies locally. UNICEF considers this recommendation as implemented and has presented mitigation actions for review by the Board of Auditors following which closure has been requested.

J. Supply chain management

77. The recommendations under supply chain management are related to the monitoring of timeliness of deliveries, the delays in getting containers cleared once they reach port of entry and timely receipt of vaccine arrival reports. There were three recommendations issued under this category, all classified under other recommendations. UNICEF is committed to implementing the recommendations by the end of the first quarter of 2019.

Other recommendations (medium priority)

78. In paragraph 190, the Board reiterated its recommendation (A/72/5/Add.3, para. 159) that UNICEF review cases of delay and take appropriate action in accordance with the terms and conditions of the contract to ensure timely delivery.

79. UNICEF has taken significant actions to implement this recommendation. The Supply Division conducts regular reviews of the reasons for delayed deliveries. A weekly follow-up is conducted for critical deliveries, while monthly and quarterly follow-ups are carried out for all other orders by the procurement centres and management respectively.

80. In addition, the Supply Division launched monitoring tools in the inSight system. Those tools include a system alert that identifies orders with upcoming delivery dates as well as delayed deliveries, thereby allowing proactive identification of bottlenecks and follow-up with suppliers and freight forwarders accordingly. UNICEF noted improvements in the timeliness of deliveries over the past four years and, therefore, it

considers this recommendation to be implemented and requests its closure by the Board.

81. In paragraph 197, the Board recommended that UNICEF, the regional offices and the Supply Division identify countries where vaccine arrival reports are regularly delayed and formulate country-specific strategies for monitoring timely receipt of vaccine arrival reports.

82. UNICEF would like to highlight the improvements achieved in recent years with respect to the timely receipt of vaccine arrival reports. These improvements have resulted from the clear identification of the roles and responsibilities; the strengthened policy guidance for the timely inspection of vaccines; the completion and submission of the vaccine arrival reports in the Supply Manual; and the development of a mobile application to facilitate the completion and submission of vaccine arrival reports. UNICEF is developing country-specific strategies as recommended by the Board.

83. In paragraph 206, the Board reiterated its recommendation (A/72/5/Add.3, para. 184) that UNICEF identify reasons for detention of containers for long periods and provide guidance to country and regional offices to reduce the container detention time, and further recommended that the Supply Division expeditiously analyse the root causes of the detention of containers, which affect the efficacy of supply chain management functions.

84. UNICEF completed an analysis of the root causes for the detention of containers and is developing guidance for country and regional offices to help reduce the detention time. In addition, UNICEF has developed a reporting mechanism to facilitate continuous management review of container movements on a global basis.

K. Programme (water, sanitation and hygiene)

85. The recommendations classified under programme relate to the audit of the UNICEF strategy for the Water, Sanitation and Hygiene for All programme. The audit was based on the UNICEF Strategic Plan, 2014–2017 and its related Integrated Resources and Results Framework for the same period. There were two recommendations issued under this category, of which one is a main recommendation and one classified as other recommendation. UNICEF has requested closure of both recommendations.

Main recommendation (high priority)

86. In paragraph 213, the Board recommended that UNICEF clearly link the Strategic Plan and the annual workplan during the operationalization of the Strategic Plan, 2018–2021.

87. UNICEF Programme Division developed a new office management plan, which is aligned with the UNICEF Strategic Plan, 2018–2021. UNICEF considers this recommendation to be implemented and requests its closure by the Board. UNICEF has presented details of the actions implemented on the alignment of the Programme Division office management plan with the Strategic Plan to the Board of Auditors following which closure of the recommendation has been requested.

Other recommendation (medium priority)

88. In paragraph 220, the Board recommended that the Afghanistan Country Office involve third-party monitoring for assurance on the quality of programmatic work performed.

89. The Afghanistan Country Office has augmented its programme monitoring mechanisms by establishing an additional mechanism through which third-party monitors may be recruited to gather programmatic data and evidence in the field. UNICEF considers this recommendation as implemented and has presented mitigation actions for review by the Board of Auditors following which closure has been requested.

L. Quality assurance and monitoring

90. The recommendations classified under quality assurance and monitoring activities relate to closure of complaints received by UNICEF and monitoring of key performance indicators for field results. There were four recommendations issued under this category, all under other recommendations.

Other recommendations (medium priority)

91. In paragraph 229, the Board recommended that the Supply Division prescribe a specific timeline for closure of complaints.

92. UNICEF is completing a study of average timelines between the date when complaints are identified and when corrective actions are implemented. Based on this study, the divisional procedure on management of complaints will be updated to include standard timelines for closure of complaints.

93. In paragraph 230, the Board further recommended that the Supply Division review all open complaints, ensure timely implementation of corrective actions, prioritize handling of cases indicating financial loss and ensure timely closure of all complaints in the system.

94. UNICEF is systematically reviewing all open complaints to ensure prioritization of those involving potential financial loss. This review will facilitate the timely closure of complaints in the system. UNICEF is also developing a new case management tool for recording and managing complaints to further strengthen their systematic review.

95. In paragraph 243, the Board recommended that the UNICEF Ghana and Burkina Faso Country Offices and the West and Central Africa Regional Office periodically review and expedite implementation of planned activities to ensure that the targets mentioned against the outcomes are achieved on time.

96. The West and Central Africa Regional Office is periodically reviewing the implementation of planned activities to encourage the timely achievement of the targets mentioned against outcomes.

97. In paragraph 245, the Board further recommended that the UNICEF Ghana and Burkina Faso Country Offices and the West and Central Africa Regional Office review the ratings of various outcomes/outputs and indicators so as to avoid discrepancies in ratings and to ensure that the users receive accurate performance reports.

98. The UNICEF Field Results Group has recently issued guidance on KPI definitions and grading criteria that will further clarify and alleviate any discrepancies in the ratings used by offices for various outcomes, outputs and indicators. The West and Central Africa Regional Office has also established a system to review the results assessment module twice a year.

III. Anti-fraud strategy and fraud risk mitigation

99. The UNICEF anti-fraud strategy, which was released in 2018, serves to address fraud and misconduct at all levels of the organization. Roles and responsibilities for the implementation of the strategy are articulated in the UNICEF Financial Regulations and Rules, in the policy prohibiting and combatting fraud and other issued regulatory content, that encompasses anti-fraud controls. The objective of the anti-fraud strategy is to bring together the organization's policy, procedure, guidance, approaches and tools in one comprehensive framework to strengthen the systematic prevention, detection and response to fraud and misconduct in all its forms. The strategy complements ongoing efforts to promote a culture of ethics and integrity and zero tolerance toward fraud and misconduct. It should be read in conjunction with the associated documents, policies and procedures. The anti-fraud strategy considers the recommendations of the Joint Inspection Unit report on fraud prevention, detection and response in United Nations system organizations (JIU/REP/2016/4), ongoing efforts within the United Nations funds and programmes and other best practice approaches to prevent and address incidents of fraud and misconduct.

100. As of October 2018, the Comptroller has led three training of trainer sessions on anti-fraud awareness, attended by 140 staff members from UNICEF offices. Over 90 of those trained are country office staff who are at the front line of anti-fraud strategy implementation. The implementation of the components of the anti-fraud strategy, which has already commenced is planned for completion by the end of 2019. In addition to the mandatory eLearning course on ethics and integrity, an anti-fraud awareness eLearning module is being developed for implementation starting on 1 January 2019, with staff required to complete the course by end of March 2019. The implementation of the anti-fraud strategy will contribute further to the mitigation of risk, increasing awareness and hence reporting of cases of fraud and early detection of fraudulent activities.

101. Further fraud awareness activities and training in offices both at headquarter and country level have been held consistent with the roadmap for the implementation of the anti-fraud strategy. The face-to-face trainings gained momentum in October 2018 which was designated as Ethics Leadership Month by UNICEF.

102. As part of the anti-fraud strategy UNICEF is revamping its eLearning on anti-fraud awareness to include a compulsory course with a planned launch date of the first quarter of 2019. This will complement the existing ethics and integrity eLearning course. Staff members will have until 31 March 2019 to complete this compulsory eLearning course. UNICEF is also collaborating with New York-based funds and programmes on the development of a harmonized eLearning course for staff members of implementing partners.

103. Progress has been made in the development of a prototype transaction level monitoring tool. Training on programming and scripting development of exceptional reports for high-risk transactions is being carried out by the service provider to develop internal capacity within UNICEF.

104. Enhancements of the reporting channels, including improvements to the hotline for reporting fraud and misconduct are at an advanced stage. In addition, new whistle blower protection policies were rolled out to enhance reporting of fraud and misconduct.

105. UNICEF has made progress in recovering funds lost due to fraud perpetrated by staff members. However, less progress has been made on cases of fraud by implementing partners as the cases have been referred to national prosecution authorities. UNICEF has acted on these cases by blocking these partners from

implementing any further programmes. The implementing partners are based in L2 and L3 emergency countries hence the challenges in recouping funds and the timeliness of local prosecution. Of the $4.16 million cumulative amount lost due to fraud for 2015, 2016 and 2017, 73 per cent ($3.02 million) related to implementing partners. Recovery rates in the year when an investigation case was closed were approximately 10 per cent or less of the amounts lost due to implementing partner related fraud. In 2017, of the $1.43 million lost due to fraud by implementing partners, $1.13 million (80 per cent of the amount to be recovered) was for cases referred to local prosecuting authorities. In those cases, recovery efforts must await the outcome of the judiciary proceedings. An amount of $138,000 had been recovered. This contrasts with recovery rates for fraud involving staff members where UNICEF has much more control in taking disciplinary action and ensuring funds are recovered from the entitlements of the staff members in proven cases of fraud.

106. Recovery of the funds from implementing partners becomes more challenging the longer the judiciary proceedings take to conclude. UNICEF will provide a comprehensive update at the annual session of the Executive Board as part of the management response to the OIAI annual report, including further progress made in recovery of funds lost due to cases of fraud and presumptive fraud.

IV. Status of audit recommendations for the year ended 31 December 2017

107. For the year ended 31 December 2017, the Board of Auditors issued 36 audit recommendations in its audit report of UNICEF (A/73/5/Add.3) (2016: 36 recommendations). Of the 36 recommendations, 7 were classified as high priority while the remaining 29 were assigned a medium priority rating. Management agreed with 94 per cent of the recommendations issued and had a difference of opinion with the Board of Auditors on the approach to implementing actions for two recommendations. The difference of opinion is on the most efficient and effective mitigation plan for these two recommendations. While there is a difference of opinion, UNICEF will engage with the Board of Auditors and present information and evidence that the actions by management are adequate, efficient and effective in mitigating the observations. Following assessment of the alternative mitigation actions, the closure of these two recommendations will be requested.

108. Consistent with practices adopted in previous years, UNICEF has adopted a phased approach, agreed with the business units and senior management, to the implementation of the audit recommendations, with clear accountabilities and target completion dates for each recommendation.

109. As of end-October 2018, about three months since the formal release of the report of the Board of Auditors, UNICEF is pleased to note that management actions have already commenced on all the 36 audit recommendations to ensure full implementation by the target completion dates. These recommendations have target completion dates in 2018 and the first quarter of 2019.

Table 1
Implementation status for the financial year 2017 by target completion dates

Target completion date	*Number of recommendations*	*Implemented (closure requested)*	*Under implementation*	*Not accepted*
2018, 2nd quarter	1	1		
2018, 3rd quarter	5		5	
2018, 4th quarter	6	1	5	
2019, 1st quarter	13	2	11	
No target date, actions implemented at the time of the report	9	9		
Not accepted	2			2
Grand total	**36**	**13**	**21**	**2**
Percentage	**100%**	**36%**	**58%**	**6%**

Table 2
Implementation status for the financial year 2017 by priority

Priority	*Number of recommendations*	*Implemented (closure requested)*	*Under implementation*	*Not accepted*
High	7	2	5	
Medium	29	11	16	2
Total	**36**	**13**	**21**	**2**
Percentage of total	**100%**	**36%**	**58%**	**6%**

V. Status of audit recommendations for the year ended 31 December 2016 and prior years

A. Status of recommendations for the year ended 31 December 2016 report

110. The Board of Auditors issued 36 recommendations for the 2016 financial year. These recommendations have target completion dates of the last quarter of 2017, the last three quarters of 2018 and the first quarter of 2019. Of the 36 recommendations, 26 (72 per cent) had been assessed by management as implemented and are awaiting assessment and closure by the Board of Auditors, 9 (25 per cent) recommendations are still under implementation and 1 (3 per cent) was not accepted. The one recommendation not accepted by UNICEF is on travel management (A/72/5/Add.3, para 193). The Board of Auditors recommended UNICEF to produce and distribute individual reports on trip closure information to approximately 150 offices. The individual reports are already available to all UNICEF offices on the Insight dashboards for access by both managers and staff. Global broadcast messages that are sent to staff serve as reminders of their responsibilities to close trips on completion.

Table 3
Implementation status for the financial year 2016 by target completion dates

Target completion date	*Number of recommendations*	*Implemented or closure requested*	*Under implementation*	*Not accepted*
2017, 4th quarter	2	2		
2018, 3rd quarter	4	2	2	
2018, 4th quarter	4		4	
2019, 1st quarter	3		3	
Actions already implemented	22	22		
Not accepted, no implementation date set	1			1
Grand total	**36**	**26**	**9**	**1**
Percentage	**100%**	**72%**	**25%**	**3%**

B. Status of long-standing recommendations for the year 2015, 2014 and 2013 reports

111. The Board of Auditors issued 49 recommendations for the years 2013, 2014 and 2015. Of the 49 recommendations issued, 5 recommendations are under implementation and are considered long-standing. A summary table of these recommendations is provided in annex II. The implementation of the five recommendations, particularly those for budget management, required investments in information technology systems and time to implement. However, these investments go a long way toward addressing systemic issues observed by the Board of Auditors.

Table 4
Implementation status of long-standing recommendations for the financial years 2013, 2014 and 2015

Target completion date	*Number of recommendations*	*Implemented or closure requested*	*Under implementation*	*Not accepted*
2018, 4th quarter	5	0	5	
Actions already implemented	44	44		
Grand total	**49**	**44**	**5**	**0**
Percentage	**100%**	**90%**	**5%**	**0%**

112. UNICEF will be engaging with the Board of Auditors to define a more consistent process for the review of management actions on audit recommendations, similar to the one currently used by OIAI. If agreed, review of implementation of actions will occur on a more regular basis, with ongoing assessments of evidence of actions implemented. This approach resembles how the Board of Auditors assesses

implementation of recommendations for other New York-based funds and programmes.

VI. Conclusion

113. UNICEF is pleased to receive an unqualified audit opinion from the Board of Auditors. This achievement is a great testament to the hard work of all staff across UNICEF offices globally. The new Strategic Plan, 2018–2021 also provides a foundation on which UNICEF will continue to improve its performance and effectiveness.

Annex I

Summary of the recommendations issued in 2017 by priority and risk area

Area	*Main (High)*	*Other (Medium)*	*Total*
Financial management	1	4	5
Travel management	3	1	4
Internal control	-	2	2
Management of consultants	-	2	2
National committees	-	2	2
Fundraising activities	-	4	4
Management of cash transfers (HACT)	1	-	1
Procurement and inventory management	-	3	3
Contract management	1	3	4
Supply chain management	-	3	3
Programme (water, sanitation and hygiene)	1	1	2
Quality assurance and monitoring	-	4	4
Total	**7**	**29**	**36**

Annex II

Summary of long-standing recommendations

Recommendation by the Board	*Actions under implementation*
Budget formulation tool	
A/69/5/Add.3 para. 69, issued in 2013 on deficiencies in the formulation of the programme budget.	The budget management tool will be rolled out to all offices during the fourth quarter of 2018.
A/71/5/Add.3 para. 14, issued in 2015 on the need for annual programme budgets.	
A/71/5/Add.3 para. 105, issued in 2015 on achievement of country programme outcome: education.	
Integrated monitoring and evaluation: PRIME platform enhancement	
A/70/5/Add.3 para. 69, issued in 2014 on delay in preparation and implementation of annual management plans.	The PRIME platform is being enhanced and completion is planned for the end of the fourth quarter of 2018.
A/71/5/Add.3 para. 90, issued in 2015 on delay in preparation and implementation of annual management plan.	